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FM AMEMBASSY COLOMBO  
TO RUEHC/SECSTATE WASHDC 9732  
INFO RUEHKA/AMEMBASSY DHAKA 1510  
RUEHIL/AMEMBASSY ISLAMABAD 8501  
RUEHKT/AMEMBASSY KATHMANDU 6738  
RUEHNE/AMEMBASSY NEW DELHI 2862  
RUEHKP/AMCONSUL KARACHI 2476  
RUEHCG/AMCONSUL CHENNAI 9150  
RUEHBI/AMCONSUL MUMBAI 6471  
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION

UNCLAS COLOMBO 000378

SIPDIS

SENSITIVE

STATE FOR EEB/IFD/OMA JULIA JACOBY, SCA/RA, AND SCA/INS

E.O 12958: N/A

TAGS: [EAID](#) [ECON](#) [PGOV](#) [PREL](#) [MV](#)

SUBJECT: MALDIVES: FISCAL TRANSPARENCY REPORT

REF: (A) SECSTATE 28885

(B) 08 COLOMBO 237

¶1. (U) The following is in response to ref A request for information concerning Maldives' compliance under Section 7088(c)(1) of the Department of State, Foreign Operations, and Related Programs Appropriations Act (SFOAA), 2009 (Div. H, P.L.111-8). Responses are keyed to ref A questions.

¶2. (SBU) The central government of Maldives is receiving FY 09 U.S. foreign assistance funds.

#### Public Availability of Budget

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¶3. (SBU) Maldives' existing budget process and public accounting system were introduced more than three decades ago and are in the process of being modernized. The budget papers are usually presented in December of each year for submission to the Parliament and comprise the past year's performance, current year's status and proposed future budget proposals. Budget documents in the vernacular language, Dhivehi, are posted on the internet. Budget documents in English are not available on the internet. The financial legislative framework is not comprehensive. Under the current legislative framework, no annual financial statements regarding the government's financial position and status are reported to the Parliament and no audited financial statements are prepared. The annual accounts and information are included in the budget papers. Only a limited accounting reporting structure exists. Not all transactions are reflected. The accounting system used in atoll (sub-national) administration units is highly inefficient, leading to excessive holdings and movements of cash. Maldives developed and published an online development assistance database which tracked foreign aid; however, it is no longer in use due to lack of funds.

¶4. (SBU) The Maldives constitution gives broad powers to the executive branch in performing most of the core functions relating to budget management, planning, execution, monitoring and evaluation. Recent legislative initiatives aim to improve financial management and regulatory reporting. A Public Finance Act defining the legal framework for an improved budget process passed in 2006. A new Audit Act creating an independent Audit Office came into force in 2007. The first Auditor General under the Audit Act was appointed in December 2007. The Auditor General is appointed by, and reports to, the President and the Parliament. The power of budget approval rests with the legislature. Post's assessment of the extent to which the publicly-available budget accurately reflects actual government incomes and expenditures

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15. (SBU) Maldives does not strictly follow the IMF's Government Finance Statistics (GFS) format when reporting its budget. For instance, loan amortization is included as part of expenditure. Revenue is overstated, as it includes grants and privatization proceeds. Line items may also not reveal full details. Nevertheless, post has no indication that the government is trying to intentionally mislead the public or donors regarding its budget.

BLAKE